



Patrick W. Henning, Director
June 19, 2009
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Arnold Schwarzenegger
Governor

Ms. Verna Lewis, Executive Director
Kern/Inyo/Mono Employers' Training Resource
2001 28th Street
Bakersfield, CA 93301

Dear Ms. Lewis:

WORKFORCE INVESTMENT ACT
85-PERCENT PROGRAM REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2008-09

This is to inform you of the results of our review for Program Year (PY) 2008-09 of the Kern/Inyo/Mono Employers' Training Resource's (KIM/ETR) Workforce Investment Act (WIA) 85-Percent program operations. We focused this review on the following areas: Workforce Investment Board and Youth Council composition; local program monitoring of subrecipients, management information system/reporting, incident reporting, nondiscrimination and equal opportunity, grievance and complaint system, and Youth program operations including WIA activities, participant eligibility, and Youth services.

This review was conducted by [REDACTED] from October 6, 2008 through October 10, 2008.

Our review was conducted under the authority of Sections 667.400 (a) and (c) and 667.410 of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by KIM/ETR with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding program operations for PY 2008-09.

We collected the information for this report through interviews with KIM/ETR representatives and service provider staff. In addition, this report includes the results of our review of selected case files, KIM/ETR's response to Section I and II of the Program On-Site Monitoring Guide, and a review of applicable policies and procedures for PY 2008-09.

We received your responses to our draft report on March 13, 2009, May 20, 2009, and on May 22, 2009. In addition, we spoke with your staff on May 15, 2009, and reviewed

your comments and documentation before finalizing this report. Because your response adequately addressed finding 7 cited in the draft report no further action is required and we consider this issue resolved.

Your response also adequately addressed findings 1 and 6 cited in the draft report. However, these issues will remain open until we receive documentation to substantiate your corrective actions. Until then, these findings are assigned Corrective Action Tracking System (CATS) numbers 90077 and 90081.

Your response also adequately addressed findings 2, 4, and 5 cited in the draft report. However, these issues will remain open until we receive documentation to substantiate your corrective actions. In addition to receiving acceptable documentation, these findings will remain open until we verify your implementation of your stated corrective action plan during a future onsite review. Until then, these findings are assigned Corrective Action Tracking System (CATS) numbers 90078, 90079, and 90080.

BACKGROUND

The KIM/ETR was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. For PY 2008-09, KIM/ETR was allocated: \$4,368,649 to serve 855 adult participants; \$4,527,676 to serve 1,183 youth participants; and \$3,568,559 to serve 624 dislocated worker participants.

For the quarter ending September 30, 2008, KIM/ETR reported the following expenditures for its WIA programs: \$12,536 for adult participants; \$378,395 for youth participants; and \$76,517 for dislocated worker participants. In addition, KIM/ETR reported the following enrollments: 459 adult participants; 865 youth participants; and 349 dislocated worker participants. We reviewed case files for 22 of the 865 participants enrolled in the WIA program as of October 6, 2008.

PROGRAM REVIEW RESULTS

While we conclude that, overall, KIM/ETR is meeting applicable WIA requirements concerning grant program administration; we noted instances of noncompliance in the following areas: Local Workforce Investment Board (WIB) composition, management information system (MIS), program grievance and complaint, eligibility for youth participants, providing services and incentives before enrollment, inappropriate incentives, and 90-day gap in services. The findings that we identified in these areas are specified below.

FINDING 1

Requirement: WIA Section 117(b)(2)(A)(i-vi) states, in part, that membership of the local workforce investment board shall include representatives of business in the local area who are owners of businesses, chief executives or operating officers of business, and other business executives or hiring authority who represent businesses with employment opportunities that reflect the employment opportunities of the local area and who are appointed from among individuals nominated by local business organizations and business trade associations.

20 CFR 661.315(d) states, in part, that a majority of the members of the local board must be representatives of businesses in the local area.

Observation: We observed that the composition of the WIB does not include the required majority of representatives of businesses in the local area. Specifically, of the 42 Board members, only 20 representatives are from the local business sector. As a result, the WIB needs two additional business members to establish a business majority.

Recommendation: We recommended that KIM/ETR provide the Compliance Review Office (CRO) with a Corrective Action Plan (CAP), including a timeline, for appointing the required business members to the WIB. We also recommended that once these positions are filled, KIM/ETR provide CRO with an updated roster of all members.

KIM/ETR Response: The KIM/ETR stated that five new business members and two additional labor representatives were recommended to the Kern County Board of Supervisors (BOS) on March 31, 2009. They submitted an updated WIB roster which shows that their official WIB composition is now 45 members. Since some of the previous business members recently resigned, they now have 21 members who represent business. As a result, they will need to add two additional business members to ensure a business majority. They are continuously recruiting individuals from the business community and anticipate that the composition of the WIB will be in compliance by December 31, 2009.

State Conclusion: The KIM/ETR's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we

receive documentation that the vacancies have been filled by the required representatives. Until then, this issue remains open and has been assigned CATS number 90077.

FINDING 2

Requirement:

WIA Section 185(c)(2) states, in part, that each local board and each recipient receiving funds shall maintain comparable management information systems designed to facilitate the uniform compilation and analysis of programmatic, participant, and financial data necessary for monitoring and evaluating purposes. In addition, WIA Section 185(d)(1)(B) states, in part, that information to be included in reports shall include information regarding the programs and activities in which participants are enrolled, and the length of time that participants are engaged in such programs and activities.

20 CFR 667.300(b)(1) states, in part, that a state may impose different forms or formats, shorter due dates, and more frequent reporting requirements on subrecipients.

WIAD04-17 states, in part, that follow-up contact information is mandatory for four quarters after a participant's exit unless specified otherwise in the entity's contract. A follow-up contact is a check to determine a client's employment and education status after exiting the WIA program.

WIAD04-17 also states, in part, that all recipients of WIA funds will submit client data via the JTA system, complying with the specifications for each data field. In addition, this directive defines activity codes for the enrollment forms.

Observation:

Of the 15 case files reviewed for KIM/ETR's youth service providers, we observed eight instances in which the participants were exited but did not contain the required follow-up for all or some of the four quarters after exit. Two of the participants were from Kern High School District (KHSD), four of the participants were from Arbor, and two of the participants were from California State University, Bakersfield (CSUB).

- Two KHSD participants were missing follow-up for both the first and the second quarters.

- Two Arbor participants were missing follow-up for the first quarter; one participant was missing follow-up for both the first and the second quarters; one participant was missing follow-up for all four quarters.
- Two CSUB participants were missing follow-up for the first quarter.

Of the four case files reviewed for KHSD, we observed four instances where the case files showed that the youth participants completed activities for which there was no documentation to substantiate that the participants received these services, completed these activities, or earned these incentive payments. We noted dates of completion in the case file but no other record to indicate these participants received these services. The total amount of incentives provided to these four KHSD participants, which were not substantiated, is \$1,230.

Specifically, we found no documentation to substantiate the following reported activities and incentive payments for the four participants listed below.

- Participant #1:
 - Workshop: May 28, 2007.
 - Workshops: June 15, 2007 and June 20, 2007.
 - Incentive amount: \$45.
 - Orientation: September 2, 2007.
 - Class: October 2, 2007.
- Participant #2:
 - Workshop: May 20, 2007.
 - Workshop: July 2, 2007.
 - Incentive amount: \$225.
 - Workshop: May 20, 2008.
 - SS08: June 27, 2008.
 - Incentive amount: \$100.
 - School enrollment: August 18, 2008.
- Participant #3:
 - L3: December 3, 2004.
 - Incentive amount: \$10.
 - Work experience completed: June 3, 2005.
 - No reference: August 15, 2005.

Incentive amount: \$50.
Workshop: May 20, 2007.
Workshops and Ex Part: June 4, 2007 and June 29, 2007.
Incentive amount: \$405.
Workshop: July 13, 2007.
Incentive amount: \$40.
Leadership: October 12, 2007.
Incentive amount: \$10.

- Participant #4:
Workshop: June 22, 2007.
Incentive amount: \$345.

Of the six case files reviewed for Arbor, we observed one instance where the case files showed that the youth participant was enrolled in services and completed activities for which there was no documentation to substantiate that the participant received the service or completed the activity. Specifically, the participant was enrolled in a 10-day workshop. Subsequent to our on-site review, Arbor provided documentation that substantiated the completion of the workshop (a copy of a signed certificate of completion). We consider this issue, as it pertains to Arbor, resolved.

Of the three case files reviewed for CSUB, we observed three instances where the case files showed that the youth participants were enrolled in services and completed activities for which there was no documentation to substantiate that the participants received the service or completed the activity. Specifically, the participants were enrolled in workshops, tutoring, and community service activities from September 2007 through May 2008.

Subsequent to our on-site review, CSUB provided documentation that substantiated the completion of these activities (copies of sign-in sheets, description of the activities, and performance evaluations). We consider this issue, as it pertains to CSUB, resolved.

Recommendation: We recommended that KIM/ETR provide CRO with a CAP, including a timeline, to ensure that, in the future, quarterly follow-up is conducted as required after a participant's exit.

We further recommended that KIM/ETR provide CRO with a CAP, including a timeline, explaining how, in the future, it will ensure that data reported to the State is supported with adequate documentation, is maintained in the case files, and includes all necessary and accurate information to substantiate the programs, services, and activities in which participants are enrolled.

In addition, we recommended that KIM/ETR provide adequate documentation to substantiate that the KHSD participants identified above received and completed the reported services and activities. We further recommended that KIM/ETR provide CRO with appropriate documentation to justify the incentive payments to the participants identified above totaling \$1,230 or back out this amount from the WIA account.

Finally, we recommended that KIM/ETR provide guidance to its youth service providers to ensure their understanding that quarterly follow-up is conducted as required after a participant's exit and that adequate documentation be maintained in the participant case files to substantiate all programs, services, activities, and incentives for which the participant is enrolled.

KIM/ETR Response: Regarding the CAP and timeline relating to quarterly follow-up, and the recommendation to provide guidance to our youth service providers on this issue, KIM/ETR stated that each agency will be given a *WIA Follow-up Calendar* that lists the exit date quarters and the corresponding required follow-up date quarters; will be provided individual technical assistance to resolve any problems or questions; and will be required to attend a mandated yearly training designed to provide updated procedure and policy information and forms. KIM/ETR enclosed copies of the *WIA Follow-up Calendar*, the *Agenda for Youth Providers' Training* scheduled for April 28, 2009. In addition, if an agency hires new employees, KIM/ETR stated that they would provide one-on-one training sessions to help familiarize them with WIA forms and requirements.

On May 20, 2009, KIM/ETR submitted an Attendance Roster and detailed *Agenda* for the *Youth Providers' Training* that occurred on April 28, 2009 and which covers the topical items discussed above and throughout the draft monitoring report.

Regarding the CAP and timeline of maintaining accurate information in the case files, and the recommendation to provide guidance to youth service providers on this issue, KIM/ETR will address this at the above-mentioned *Youth Providers' Training*. They will also continue to monitor agencies annually and provide technical assistance when needed.

In terms of the overall explanation of the documentation used to substantiate that participants in KHSD are enrolled in programs, services, and activities and earn incentives accordingly, they have enclosed a copy of the *KHSD – Career Resource Department Youth Programs Incentive Payment Policy PY 2007-08 (IPP)*.

In a subsequent phone call on May 15, 2009, KIM/ETR provided further clarification of the KHSD *IPP*. This document outlines the process of how WIA staff evaluate participants' achievements at the conclusion of each school quarter. Successful completion of career development activities, WIA goal attainment, and academic progress are recognized by receipt of incentive payment based on the matrix contained in the *IPP*. This matrix covers Basic Skills, Work Readiness, Occupational Skills, and Leadership and Life Skills activities. The completion of each activity is associated with a particular number of possible points that can be earned by the participant and each point is worth \$5. In addition, each activity is associated with a particular type of documentation that can be used to verify completion.

In terms of KHSD's policy of maintaining all the required documentation in the participant case files, in most cases, if the activity is an individual accomplishment, such as GPA or attendance, source documentation for those activities are maintained in the participant case files. For example, if a participant has a 4.0 grade point average (GPA) for a semester, he or she can earn 10 points and this is documented by a report card, school transcripts, or a progress report. The exception to this policy is for participants enrolled in special education classes who accomplish a level increase in behavior modification. Instructor verification is the documentation used to substantiate this subjective, individual achievement.

In other cases, if the activity is completed as part of a group, such as a workshop, orientation, class, or conference, source documentation for those activities are maintained in separate

binders which aggregate both WIA and non-WIA participants into one archive.

The documentation that is maintained in the WIA participant case files for completion of these group activities is the signed *KHSD – Career Resource Department Incentive Verification Form (IVF)*. This substantiation follows the *KHSD IPP*. For example, “Facilitator Verification” is an allowable documentation source for completion of a workshop, a work experience (WEX) training agreement (completed after a group orientation), an orientation, a class, a level achievement of behavior modification, or various types of leadership conferences and activities. The facilitator (instructor, teacher, or coordinator) signs at the bottom of the form verifying attendance and completes the incentive payment calculation.

The part of the finding regarding the lack of substantiation in the KHSD case files may be attributed to the fact that the *IVF* is also completed when individual activities are accomplished by a participant. In these cases, source documentation, as listed in the *IPP* matrix and referenced above, is attached to this form and all of these documents are maintained in the case files.

Regarding documentation to substantiate the activities and incentive payment for Participant #1: For the workshop on May 28, 2007, this was not a workshop but rather the date the participant signed a training agreement for work experience and a copy of this agreement was provided. For the workshops on June 15, 2007 and June 20, 2007 and the corresponding incentive payment for \$45, a copy of the *IVF* signed June 29, 2007 by the workshop coordinator was provided. For the orientation on September 2, 2007, this date was incorrect in the case notes and a copy of the Nueva Project Orientation Agenda packet, dated September 4, 2007, was provided. For the class on October 2, 2007, a copy of the KHSD Nueva Continuation Weekly Attendance roster was provided.

Regarding documentation to substantiate the activities and incentive payments for Participant #2: For the workshop on May 20, 2007, this was not a workshop but rather the date the participant signed a training agreement for work experience and a copy of this agreement was provided (dated May 21, 2007). For the workshop on July 2, 2007 and the corresponding incentive

payment for \$225, this was the date the *IVF* was completed for exemplary participation in the summer program. A copy of the signed *IVF* dated July 2, 2007 and participant's transcript were provided. For the workshop on May 20, 2008, this was not a workshop but rather the date the participant signed a training agreement for work experience and a copy of this agreement was provided. For the SSO8 on June 27, 2008 and the corresponding incentive payment for \$10, this was for successful completion of Summer School 2008 and a copy of the transcript was provided. For school enrollment on August 18, 2008, a copy of the transcript was provided.

Regarding documentation to substantiate the activities and incentive payments for Participant #3: For L3 on December 3, 2004 and the corresponding incentive payment of \$10, this was for achievement of Level 3 behavior modification and instructor emails discussing this and a copy of the *IVF* were provided. For the work experience completed on June 3, 2005, this refers to the assessment of work experience eligibility determination by WIA staff and signed Memorandum of Understanding and Consent to Treat/Emergency Contact forms were provided. For the activity with no reference on August 15, 2005 and the corresponding incentive payment of \$50, this was the date the *IVF* was signed verifying achievement of two WIA goal attainments; reading comprehension on March 1, 2005 and life skills on August 8, 2005. Copies of the pre- and post-test scoring sheets (reading) and certificate of achievement (life skills) as well as the corresponding JTA WIA Goals forms were provided. For the workshop on May 20, 2007, this was not a workshop but rather the date the participant signed a training agreement for work experience and a copy of this agreement was provided (dated May 21, 2007). For the workshops and Ex Part on June 4, 2007 and June 29, 2007 and the corresponding incentive payment for \$405, a copy of the signed *IVF* dated July 2, 2007 and participant's transcript were provided to substantiate workshop attendance and exemplary participation in the summer program. For the workshop on July 13, 2007 and the corresponding incentive payment for \$40, this was for attending closing activities and a copy of the signed *IVF* dated July 13, 2007 was provided. For leadership on October 12, 2007 and the corresponding incentive payment of \$10, this was for achievement of Level 3 behavior modification and a copy of the *IVF* was provided.

Regarding documentation to substantiate the activities and incentive payments for Participant #4: For the workshop on June 22, 2007 and the corresponding incentive payment of \$345, a copy of the signed IVF dated June 22, 2007 and participant's transcript were provided to substantiate workshop attendance and exemplary participation in the summer program.

State Response: The KIM/ETR's stated corrective actions should be sufficient to resolve the portions of this finding related to follow-up, maintaining accurate information in the case files, and providing guidance to youth service providers. However, we cannot close this finding until we verify implementation of KIM/ETR's stated corrective actions during a future on-site review. Until then, this issue remains open and has been assigned CATS number 90078.

The KIM/ETR provided adequate documentation to substantiate that the KHSD participants identified above received and completed the reported services and activities and earned the incentives totaling \$1,230. No further action is required for this portion of the finding.

FINDING 4

Requirement: 20 CFR 664.200 states, in part, that an eligible youth is an individual who is age 14 through 21, is a low income individual, and is within one or more of the following categories: deficient in basic literacy skills; school dropout; homeless, runaway, or foster child; pregnant or parenting; offender; or is an individual (including a youth with a disability) who requires additional assistance to complete an educational program, or to secure and hold employment.

WIAD04-18, which transmits Title I Eligibility Technical Assistance Guide (TAG), provides guidelines for documenting general and youth eligibility. The TAG requires the use of acceptable documentation and it includes the economic eligibility criteria and additional requirements for youth. The latter refers to barriers, at least one of which a youth must have, in order to be determined eligible for WIA services, in addition to meeting the economic eligibility criteria (unless they are to be served through the five-percent exception window).

Although local areas have the flexibility and discretion to design documentation and verification systems, One-Stop operators, their subrecipients, and applicants must make reasonable efforts to document eligibility for WIA-funded programs. The use of applicant statements may be prudently used to document those items that are not verifiable or are unreasonably difficult for the applicant to obtain. However, an applicant statement is not considered a primary documentation source.

Observation:

Of the six case files reviewed for Arbor, we observed four instances in which the participant files were missing appropriate documentation to substantiate that the participants were eligible for services. Arbor used applicant statement forms in every case to substantiate each participant's eligibility. Specifically, all four of applicant statements reported family size, income, and barriers (dropout status, disability, poor work history). KIM is responsible for determining that eligibility documentation is sufficient. The case files show that no effort was made by either KIM or Arbor to obtain eligibility documentation prior to accepting applicant statements.

In addition, of the three case files reviewed for CSUB, we observed one instance in which the participant file was missing appropriate documentation to substantiate that the participant was eligible for services. The CSUB used an applicant statement to substantiate family size and income. In addition, we found no documentation that indicated that CSUB made any efforts to obtain eligibility documents prior to using the applicant statement.

Recommendation:

We recommended that KIM/ETR provide CRO with appropriate documentation to substantiate the eligibility of the five participants; four from Arbor and one from CSUB.

We also recommended that KIM/ETR provide CRO with a CAP, including a timeline, to ensure that, in the future, appropriate eligibility determination documentation is collected and maintained in each youth participant case file as required.

In addition, we recommended that KIM/ETR modify its eligibility procedures to make a more reasonable effort to obtain more substantial eligibility documentation before accepting applicant statements.

Finally, we recommended that KIM/ETR provide guidance to its youth service providers to ensure their understanding of eligibility determination and the documentation required to be collected and maintained in each youth participant case file.

KIM/ETR Response: KIM/ETR provided copies of records from Kern County Department of Human Services "Passport to Services" to substantiate the general eligibility (public assistance, food stamps) for two of four participants from Arbor.

In lieu of providing documentation to substantiate eligibility for the remaining two youth participants from Arbor, KIM/ETR provided documentation to substantiate that the participants had been exited from the WIA program as of the last day of service (participant roster) and that associated costs were backed out of the WIA account (general ledger print outs, reimbursement check from Arbor).

KIM/ETR also provided a copy of paystubs to substantiate general eligibility (low income) for the participant from CSUB. In addition, subsequent to the on-site review, KIM/ETR provided a copy of the CSUB's Youth Application form which substantiates the participant's family size (family and household status).

Regarding the CAP and timeline relating to future eligibility determination documentation being collected and maintained in each youth participant case file, KIM/ETR provided a copy of a Memo ("Use of the Applicant Statement"), dated October 28, 2009. This Memo was sent from the KIM/ETR Program Coordinator, Client Services Division, to all intake staff, all youth providers, and Proteus. The Memo states, in part, that an applicant statement may be used only after all practical attempts to secure documentation have failed and must include an explanation of why the form is being used and what steps were taken to try to obtain the necessary documentation prior to use of the form.

KIM/ETR did not agree that they needed to modify their eligibility procedures to make a more reasonable effort to obtain more substantial eligibility documentation before accepting applicant statements. However, they did agree that staff and service providers need additional training on the appropriate use of applicant statements and, in addition to releasing the Memo

above, they will address this topic at the above-mentioned *Youth Providers' Training*. Further, KIM/ETR staff will be asked to more thoroughly check the use of the applicant statement form and verify with the agency that effort was made to obtain eligibility documentation prior to accepting applicant statements.

Regarding the recommendation that KIM/ETR provide guidance to youth service providers to ensure their understanding of eligibility determination and the documentation required to be collected and maintained in each youth participant case file, KIM/ETR will address this at the above-mentioned *Youth Providers' Training*. They will also continue to monitor agencies annually and provide technical assistance when needed.

State Response:

The KIM/ETR's response to substantiating eligibility for the five youth participants is adequate to address this portion of the finding and no further action is required at this time for this issue.

The KIM/ETR's corrective actions should be sufficient to resolve portions of this finding related to efforts to obtain eligibility documentation prior to the use of applicant statement and to maintain appropriate eligibility documentation in the case file. However, we cannot close this finding until we verify implementation of KIM/ETR's stated corrective actions during a future on-site review. Until then, this finding remains open and has been assigned CATS number 90079.

Based on KIM/ETR's clarification of eligibility procedures and corrective actions related to the effort to obtain more substantial eligibility documentation before accepting applicant statements, it appears that the procedures and corrective actions are sufficient to resolve this portion of the finding and no further action is required at this time for this portion of the finding.

The KIM/ETR's stated corrective actions to provide guidance to its service providers should be sufficient to resolve this portion of the finding and no further action is required at this time for this issue.

FINDING 5

Requirement: WIA Section 129(a) states, in part, that youth funds may be used to provide incentives for recognition and achievement to eligible youth.

20 CFR 664.215(a-b) states, in part, that all youth participants must be registered and that registration is the process of collecting information to support a determination of eligibility.

20 CFR 664.405(a)(2) states, in part, that an individual service strategy (ISS) must be developed for each youth participant that identifies age-appropriate career goals and gives some consideration for the assessment results of each youth participant.

WIAD04-17 transmits the WIA Job Training Automation (JTA) System Client Forms Handbook. It requires, in part, that once an individual seeks more than minimal assistance from staff, eligibility must be determined and the Enrollment/Registration form must be completed to enroll the client into an activity. The enrollment date is the point from which the information used in performance measures begins to be collected.

Observation: Of the six case files reviewed for one of KIM/ETR's youth service providers, Arbor, we observed five instances where youth applicants were provided services prior to enrollment. Four of the five identified youth received Educational Achievement Services (workshop) and two of the five identified youth received a Comprehensive Assessment (ISS) prior to determining the youth participants' eligibility for the youth program.

In addition, of the six case files reviewed for one of KIM/ETR's youth service providers, Arbor, we observed four instances where youth applicants earned incentive payments for WIA activities that were begun or completed prior to enrollment. These incentives totaled \$830.00. All four of the identified youth received incentives for completion of a "10-day Workshop," and two of the four identified youth also received incentives for achieving a "CASAS performance level increase."

We found no documentation to substantiate the following activities and incentive payments for the four participants listed below.

Participant #1:

Enrollment: November 16, 2007.
Began workshop: October 29, 2007.
Incentive award earned: November 13, 2007.
Incentive amount: \$200.

- Participant #2:

Enrollment: December 6, 2007.
Began workshop: December 5, 2007.
Incentive award earned: December 20, 2007.
Incentive amount: \$200.

- Participant #3:

Enrollment: August 27, 2007.
Began workshop: August 7, 2007.
Incentive award earned: August 21, 2007.
Incentive amount: \$200.

- Participant #4:

Enrollment: November 29, 2007.
Began workshop: November 23, 2007.
Incentive award earned: December 14, 2007.
Incentive amount: \$200.

Two youth participants (both of which are also referenced above) earned incentive awards for achieving a CASAS performance level increase as listed below.

- Participant #1:

Enrollment: November 16, 2007.
Incentive award earned: November 13, 2007.
Incentive amount: \$15.

- Participant #3:

Enrollment: August 27, 2007.
Incentive award earned: August 21, 2007.
Incentive amount: \$15.

Two youth participants (the first one of which is also referenced above) had their ISS completed listed below.

- Participant #1:
Enrollment: November 16, 2007.
ISS completed and signed: November 1, 2007.
- Participant #2:
Enrollment: November 16, 2007.
ISS completed and signed: August 23, 2007.

Recommendation: We recommended that KIM/ETR provide CRO with a CAP, including a timeline, describing how it will ensure that participant eligibility is determined before services are provided and incentives are awarded and that enrollment dates concur with actual dates when services are provided.

In addition, we recommended that KIM/ETR modify its eligibility procedures to make a more reasonable effort to decrease the time delay between receipt of application materials from its subrecipients and determination of eligibility.

In addition, we recommended that KIM/ETR provide documentation to demonstrate that the cost for the above-mentioned incentives totaling \$830 is backed out of the WIA account.

In addition, we recommended that KIM/ETR provide CRO with a CAP, including a timeline, that will ensure that all incentives provided to youth by Arbor for PY 2007-08 and PY 2008-09 were correctly substantiated.

Finally, we recommended that KIM/ETR provide guidance to its youth service providers to ensure their understanding that incentives are only awarded when WIA activities or services are provided to assist participants to achieve the incentive.

KIM/ETR Response: Regarding the CAP and timeline relating to ensuring that participant eligibility is determined before services are provided and incentives are awarded and that enrollment dates concur with actual dates when services are provided, KIM/ETR stated that all of these issues would be addressed at the above-mentioned *Youth Providers' Training*. In addition, they will provide annual

training for the agencies and will continue to monitor agencies and provide technical assistance when needed.

KIM/ETR did not agree that they needed to modify their eligibility procedures to make a more reasonable effort to decrease the time delay between receipt of application materials from its subrecipients and determination of eligibility. KIM/ETR provided detailed clarification of their eligibility procedures and stated they made every effort to accommodate the intake and enrollment needs of their service providers in a timely manner.

Regarding documentation to substantiate that the incentive payments for Arbor Participant #1, totaling \$215, were backed out of the WIA account, these payments were also identified as disallowed costs in KIM/ETR's final fiscal monitoring report for PY 2007-08 dated February 18, 2009. A copy of this report was provided to CRO. Further, this amount was repaid to KIM/ETR in check #200420957 dated December 22, 2008. The check is from Rescare, Inc., Education and Training Services Group (the parent company of Arbor) and is made out to ETR in the amount of \$6,336.34. In addition to a copy of this check, copies of various Excel spread sheets from their general ledger, posted adjustment forms, operator's expense reports, and a summary sheet which details incentives charged by Arbor, disallowed and recovered by ETR, and disallowed and still owed to ETR by Arbor, were included. These documents substantiate that the \$215 was part of the \$6,336.34 reimbursement check sent to ETR.

Regarding documentation to substantiate that the incentive payments for Arbor Participant #2, totaling \$200, and for Participant #4, totaling \$200, were backed out of the WIA account, KIM/ETR did not agree that the entire amount charged for the workshops should be disallowed. They based this conclusion on the fact that, per Arbor's Incentive Pay Chart, the incentive was paid based on hourly attendance at \$4 per hour. The \$200 was the maximum that could be paid since it was a 10-day workshop at 5 hours per day. Arbor is a for-profit agency, subject to the cost principles at FAR31.2. Per FAR31.201-4, a cost is allocable to a contract based on the relative benefits received or other equitable relationship. KIM/ETR felt that the participant was enrolled [into the WIA program] during a portion of the workshop attendance and that program benefits were received when they participated and completed the workshop

materials while enrolled. They provided copies of Arbor's Incentive Pay Chart, Passport Program Section 6: Financial forms, and WIA Associate Participation Logs for both participants.

Arbor Participant #2 was enrolled on December 6, 2007 and began the workshop on December 3, 2007. Based on the completed WIA Associate Participation Log, the participant completed 30 hours of the workshop while enrolled in the WIA program. KIM/ETR therefore felt that \$120 (or 30 hours @ \$4 per) is allowable and \$80 (or 15 hours @ \$4 per) is unallowable.

Arbor Participant #4 was enrolled on November 29, 2007 and began the workshop on November 26, 2007. Based on the completed WIA Associate Participation Log, the participant completed 40 hours of the workshop while enrolled in the WIA program. KIM/ETR therefore felt that \$160 (or 40 hours @ \$4 per) is allowable and \$40 (or 10 hours @ \$4 per) is unallowable.

Regarding documentation to substantiate that the incentive payments for Arbor Participant #3, totaling \$215, were backed out of the WIA account, KIM/ETR will request repayment of this entire amount from Arbor.

Regarding the CAP and timeline relating to ensuring that all incentives provided to youth by Arbor for PY 2007-08 and PY 2008-09 were correctly substantiated, KIM/ETR has completed a draft special review monitoring report for Arbor, dated May 19, 2009. This report reviews all of PY 2007-08 and activity from July 1, 2008 through February 2009.

Even though KIM/ETR completed a final fiscal monitoring report for Arbor (dated February 18, 2009 with a copy provided to address the reimbursement for Arbor Participant #1 above), it was necessary to re-review the participant incentive payments during PY 2007-08 in order to be in compliance with our recommendation.

On May 20, 2009, KIM/ETR submitted a copy of this draft special review monitoring report which summarizes the incentives charged by Arbor that were disallowed costs. KIM/ETR has asked for reimbursement of this amount, which includes the \$335 for Arbor Participants #2, #3, and #4 referenced above.

In a phone call with KIM/ETR staff on May 15, 2009, they stated that they expect to complete the review of all incentive payments provided to youth by Arbor for the remaining months of PY 2008-09 (March through June) by October 31, 2009.

Once KIM/ETR has completed this fiscal monitoring, they will provide CRO with a copy of the final special review monitoring report, an Excel spreadsheet that summarizes any incentives that may have been charged by Arbor that were disallowed costs, and provide documentation that any disallowed costs have been reimbursement to KIM/ETR and backed out of the WIA account.

Regarding the recommendation that KIM/ETR provide guidance to youth service providers to ensure their understanding that incentives are only awarded when WIA activities or services are provided to assist participants to achieve the incentive, they will address this at the above-mentioned *Youth Providers' Training*. They will also continue to monitor agencies annually and provide technical assistance when needed.

State Response:

The KIM/ETR's stated corrective actions should be sufficient to resolve portions of this finding related to efforts to ensure that participant eligibility is determined before services are provided and incentives are awarded and that enrollment dates concur with actual dates when services are provided. However, we cannot close this portion of the finding until we verify implementation of KIM/ETR's corrective actions during a future on-site review. Until then, this issue remains open and has been assigned CATS number 90080.

Based on KIM/ETR's clarification of eligibility procedures related to the time delay between receipt of application materials from its subrecipients and determination of eligibility, it appears that the procedures are sufficient and no further action is required at this time for this portion of the finding.

The KIM/ETR's documentation to substantiate that the incentive payment of \$215 was backed out of the WIA account is adequate to address only Arbor Participant #1 and no further action is required at this time for this portion of the finding.

The KIM/ETR's stated response to substantiate the specified amounts for incentive payments for Arbor Participant #2, #3, and

#4 in the amount of \$335 should be sufficient to resolve this portion of the finding. However, we cannot close this portion of the finding until KIM/ETR provides documentation to demonstrate that the funds have been reimbursed to the WIA account.

The KIM/ETR's corrective actions and proposed timeline related to ensuring that all incentives provided to youth by Arbor for PY 2007-08 and PY 2008-09 were correctly substantiated should be sufficient to resolve this part of the finding. However, we cannot close this portion of the finding until KIM/ETR provides documentation to demonstrate that the funds have been reimbursed to the WIA account.

The KIM/ETR's stated corrective actions to provide guidance to its service providers should be sufficient to resolve this portion of the finding and no further action is required at this time for this issue.

FINDING 6

Requirement:

WIA Section 129 (a) states, in part, that youth funds may be used to provide incentives for recognition and achievement to eligible youth.

20 CFR 664.200 states, in part, that an eligible youth is an individual who is age 14 through 21, is a low income individual, and is within one or more of the following categories: deficient in basic literacy skills; school dropout; homeless, runaway, or foster child; pregnant or parenting; offender; or is an individual (including a youth with a disability) who requires additional assistance to complete an educational program, or to secure and hold employment.

Observation:

Of the six case files reviewed at KIM/ETR's youth service provider, Arbor, we observed two instances where youth applicants earned incentive payments for non-WIA activities that were completed before WIA enrollment. These incentives totaled \$40. Both of the identified youth received incentives for achieving a "high school diploma."

Specifically, the two youth participants earned incentive awards for achieving a high school diploma as listed below.

- Participant #1:
Enrollment: August 27, 2007.
Incentive earned: August 21, 2007.
Incentive amount: \$20.
High school diploma awarded: May 2006.
- Participant #2:
Enrollment: February 20, 2007.
Incentive earned: April 5, 2007.
Incentive amount: \$20.
High school diploma awarded: June 2004.

Recommendation: We recommended that KIM/ETR provide documentation to demonstrate that the cost for the above-mentioned incentives totaling \$40 is backed out of the WIA account and that the outcomes are backed out of the JTA report.

In addition, we recommended that KIM/ETR provide guidance to its youth service providers to ensure that incentives are only awarded when WIA activities or services are provided to assist participants to achieve the incentive.

KIM/ETR Response: KIM/ETR agreed with the finding that two youth participants earned incentive payments totaling \$40 for non-WIA activities that were completed before WIA enrollment. They stated they would send Arbor a letter requesting payment of \$40 for the error. KIM/ETR stated that it was not necessary to have the outcomes backed out of the JTA report since the report showed the clients as having a high school diploma at time of enrollment and thus no performance outcome was earned. Copies of the JTA exit forms for both participants were provided.

Regarding the recommendation that KIM/ETR provides guidance to youth service providers to ensure that incentives are only awarded when WIA activities or services are provided to assist participants to achieve the incentive, they will address this at the above-mentioned *Youth Providers' Training*. They will also continue to monitor agencies annually and provide technical assistance when needed.

State Response: The KIM/ETR's corrective actions to demonstrate that the cost for the above-mentioned incentives totaling \$40 is backed out of the WIA account, and that the outcomes were reported correctly, is

adequate to resolve this part of the finding. However, we cannot close this portion of the finding until KIM/ETR provides documentation to demonstrate that the funds have been reimbursed to the WIA account. Until then, this issue remains open and has been assigned CATS number 90081.

The KIM/ETR's stated corrective actions to provide guidance to its service providers should be sufficient to resolve this portion of the finding and no further action is required at this time for this issue.

FINDING 7

Requirement:

WIA Section 185(d)(1)(B) states, in part, that information to be included in reports shall include information regarding the programs and activities in which participants are enrolled, and the length of time that participants are engaged in such programs and activities.

The Department of Labor, Training and Employment Guidance Letter, (TEGL) 17-05 states, in part, that the term program exit means a participant has not received a service funded by the program, or funded by a partner program for 90 consecutive calendar days, and is not scheduled for future services. The exit date is the last day of service.

In addition, TEGL 17-05(D) states, in part, that once a participant has not received any WIA-funded or partner services for 90 days (except follow-up services, and there is no planned gap in service or the planned gap in service is for reasons other than those related to health/medical condition and delay in training), that participants must be exited from WIA. The exit date is the last date of WIA funded or partner received services.

Observation:

In three of the six case files reviewed at KIM/ETR's youth service provider, Arbor, we found that the three participants did not participate in activities reported to the JTA Reporting System. Specifically, although the dates on the JTA enrollment form indicated that the participants were enrolled in an activity, we found documentation in the case file to substantiate that these activities did not occur. Various mailings, telephone contacts, and attempted telephone contacts were documented in the case files to substantiate that the participants were inactive in their

activities for a range of nine to ten months. As of October 10, 2008, only one of the three participants was exited.

Recommendation: We recommended that KIM/ETR provide CRO with documentation demonstrating that services are being provided to those participants identified above who have not exited or exit them from the WIA program.

In addition, we recommended that KIM/ETR have its subrecipient, Arbor, review the case files for all active youth participants and ensure that services are being provided to these participants or exit them from the program. Once completed, we recommended that KIM/ETR provide the results of this review to CRO.

KIM/ETR Response: KIM/ETR staff reviewed the participant files identified in the finding. They determined that services were not currently being provided to the participants and therefore the participants were exited from the WIA program.

On May 20, 2009, KIM/ETR submitted a copy of the JTA roster substantiating that these participants were exited from the program as of the last date of WIA service.

On March 2, 2009, the senior office services specialist of the MIS division of KIM/ETR met with Arbor's in-school coordinator and Arbor's out-of-school coordinator to review all active youth participant files. It was determined that of the 15 in-school participant case files reviewed, four lacked documentation to substantiate that activities or services were still being provided. However, Arbor was able to provide case notes for these participants. The case notes in question were found in the agency's computer but had not been printed. These case notes are now in each participant's file.

KIM/ETR also reviewed the 33 out-of-school participant case files. Of these, 13 lacked documentation to substantiate that activities or services were still being provided. Arbor provided proper case notes for three of these participants and exited the remaining 10 participants.

On May 20, 2009, KIM/ETR submitted a copy of the JTA roster substantiating that these 10 out-of-school participants were exited from the WIA program as of the last date of WIA service.

June 19, 2009

State Response: We consider this finding resolved and there is no further action required at this time.

We provide you up to 20 working days after receipt of this report to submit your response to the Compliance Review Office. Because we faxed a copy of this report to your office on the date indicated above, we request your response no later than July 17, 2009. Please submit your response to the following address:

Compliance Monitoring Section
Compliance Review Office
722 Capitol Mall, MIC 22M
P.O. Box 826880
Sacramento, CA 94280-0001

In addition to mailing your response, you may also FAX it to the Compliance Monitoring Section at (916) 654-6096.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is KIM/ETR's responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain KIM/ETR's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact me at (916) 653-7541 or [REDACTED] at [REDACTED]

Sincerely,



JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Office

cc: Greg Gibson, MIC 50
Jose Luis Marquez, MIC 50
Daniel Patterson, MIC 45
Lydia Rios, MIC 50